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Message Text

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43
ACTION XMB-04

INFO OCT-01 ARA-10 ISO-00 EB-07 COME-00 TRSE-00 OPIC-06

AID-05 CIAE-00 INR-07 NSAE-00 L-03 /043 W
---------- 118236
R 091152Z FEB 76
FM AMEMBASSY MONTEVIDEO
TO SECSTATE WASHDC 0619

UNCLAS MONTEVIDEO 0475

E.O. 11652: N/A
TAGS: BPRO, BEXP, UY
SUBJ: FICA CREDIT INSURANCE REQUEST TO COVER
SALE OF ONE BALLY COLD STORAGE WAREHOUSE

REF: STATE 25151, 75 MONEVIDEO A-101

1. EMBASSY PERCIEVES NO POLITICAL OR OTHER REASONS WHY EXIMBANK SHOULD NOT CONSIDER SUBJECT REQUEST. PROPOSED SALE CONSTITUTES SECOND PURCHASE BY URUGUAYAN MEATPACKER OF A BALLY WAREHOUSE (REFAIR). BUYER OF FIRST ONE WAS ESTABLICIMIENTOS COLONIA, WHICH HAS CORPORATE TIES TO FRIGORIFICO COLONIA

2. EMBASSY NOTES THAT URUGUAY'S ECONOMIC REFORM PROGRAM INVOLVES PROMOTING FOREIGN TRADE, AND COUNTRY NEEDS INCREASED COOLING AND FREEZING CAPACITY FOR ITS GROWING EXPORTS OF FOOD PRODUCTS I.E. FRUIT, VEGETABLES, MEAT AND FISH. TH EMBASSY'S COMMERCIAL ACTION PROGRAM (CAP) IS FOCUSED ON TRADE OPPORTUNITIES DEVELOPING FOR US EQUIPENT SUPPLIERES SUCH AS BALLY. UNDER COVER OF MONTEVIDEO A-0008, DATED FEB 9, EMBASSY IS SUBMITTING A POST-INITIATED MARKET STUDY (PIMS), DESCRIBING THE MEATPACKING INDUSTRY AND THE POTENTIAL FOR US EXPORTS TO THIS SECTOR.

3. WTDR DATED 10/75 PROVIDES GENERAL INFORMATION AND IS CURRENT EXCEPT THAT DUE TO RECENT DEATH OF FRANCISCO AMEGLIO, FIRM'S PRESIDENT IS NOW HIS BROTHER, CARLOS AMEGLIO, WHO HAS
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LONG EXPERIENCE IN THE BUSINESS AND HAS A GOOD REPUTATION.

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FINANCIAL AND BANKING SOURCES CONTACTED IN PREPARING THAT
REPORT CONFIRMED GOOD CREDIT RATING AND SOUNDNESS OF COM-
PANY.

4. FOLLOWING IS KEYED TOQUESTIONS POSED PARA 2. REFTEL:

(A) MEAT EXPORTS HAVE TRADITIONALLY BEEN URUGUAY'S
LARGEST FOREIGN EXCHANGE EARNER, FOLLOWED BY WOOL. IN SPITE
OF INCREASING AND SUCCESSFUL EMPHASIS ON PRODUCTION OF
"NON-TRADITIONAL" ITEMS SUCH AS FRUITS, FISH, LEATHER GOODS,
AND RECIE, WE EXPECT MEAT TO REMAIN IN FIRST PLACE. URUGUAYAN
MEATPACKERS ARE NOW DEVELOPING AND IMPLEMENTING PLANS TO
MODERNIZE PLANTS, IMPROVE COMPETITIVENESS AND DIVERSIFY
INTO PRODUCTION OF CORNED BEEF ANDOTHER TYPES OF PROCESSED
MEAT. WHEREAS TWO YEARS AGO ONLY ONE MEAT PACKER WAS USDA
APPROVED, THERE ARE NOW SIX SUCH PLANTS (INCLUDING COLONIA
AND CANELONESL.

(B) BEEF EXPORTS (CARCASS WEIGHT EQUIVALENT) FOR RE-
CENT YEARS HAVE BEEN:
1973 118,114 METRIC TONS
1974 119,885 METRIC TONS
1975 113,839 METRIC TONS
1974 AND 1975 EXPORTS WERE LESS THAN HOPED FOR, GIVEN THE
INCREASED NUMBER OF CATTLE ON THE RANGE, BECAUSE OF SLACK
DEMAND FROM URUGUAY'S TRADITIONAL CUSTOMERS AND THE VIRTUAL
CLOSINGOF THE EEC TO SOUTH AMERICAN BEEF. OUR PIMS INDI-
CATES CATTLE POPULATION IS NOW ALMOST 12 MILLION HEAD AND
SALES PROSPECTS ARE BRIGHTENING. INAC (GOU AGENCY SUPERVI-
SING MEAT PAKCERS) HAS ANNOUNCED FIRM CONTRACTS THROUGH MID-1976 FOR
ALMOST 80,000 (CARCASS WEIGHT EQUIVALENT) OF BEEF. A RECENT US
DEPARTMENT OF AGRICULTURE REPORT ESTIMATES THAT THE COUNTRY'S
MEAT EXPORTS WILL REACH 146,000 MT IN 1976. MEATPACKERS ARE
OPTIMISTIC THAT WITH REASONABLY FORESEEN RELAXTION OF COMMON
MARKET RESTRICTIONS, PLUS INCREASING SALES TO NEW CUSTOMERS,
URUGUAY SHOLD BE ABLE TO INCREASE EXPORTS SUBSTANTIALLY
OVER NEXT FEW YEARS. WE SHARE THIS VIEW.

C. EMBASSY CONCURS WTH REFTEL THAT FRIGORIFICO CANELONES
HAS SUFDERED LOSSES RECENTLY BUT NOTES THAT THIS IS TRUE OF
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ENTIRE RIVER PLATE MEATPACKING INDUSTRY WHICH TRADITIONALLY
HAS WIDE SWINGS IN PROFIT-LOSS STATEMENTS DEPENDING ON
INTERNATIONAL MARKET. FINANCIAL POSITION ALSO AFFECTED BY
TRADITIONALLY SLOW PAYMENTS FROM GOU'S BANK OF THE REPUBLIC.
HOWEVER, WE ARE UNABLE TO RECONCILE THAT WITH STATEMENT
THAT FRIGORIFICO CANELONES HAS A NEGATIVE NET WORTH. THE
COMPANY PRESIDENT EMPHATICALLY STATED THAT THE FIRM'S
POSITION WAS STRONG AND WOULD BE PLEASED TO PROVIDE SUCH

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FURTHER INFORMATION AS NECESSARY.
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